

FILED

LOADED

ENTERED

RECEIVED

NOV 14 2014

UNITED STATES DISTRICT COURT

for the

Western District of Washington

CLERK U.S. DISTRICT COURT
AT SEATTLE
WESTERN DISTRICT OF WASHINGTON

BY

REDEPUTY

Case No.

MJ 14-453

In the Matter of the Search of

(Briefly describe the property to be searched
or identify the person by name and address)A Rubbermaid plastic storage tub, dark blue in color,
labeled "games" with blue painter's tape that was given
to the FBI by S.H.

APPLICATION FOR A SEARCH WARRANT

I, a federal law enforcement officer or an attorney for the government, request a search warrant and state under penalty of perjury that I have reason to believe that on the following person or property (identify the person or describe the property to be searched and give its location):

See Attachment A, attached hereto and incorporated herein by reference

located in the Western District of Washington, there is now concealed (identify the person or describe the property to be seized):

See Attachment B, attached hereto and incorporated by reference.

The basis for the search under Fed. R. Crim. P. 41(c) is (check one or more):

- evidence of a crime;
- contraband, fruits of crime, or other items illegally possessed;
- property designed for use, intended for use, or used in committing a crime;
- a person to be arrested or a person who is unlawfully restrained.

The search is related to a violation of:

Code Section
18 U.S.C. § 1343

Wire Fraud

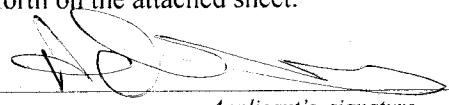
Offense Description

The application is based on these facts:

See Affidavit of Special Agent Andrew Weathers, attached hereto and incorporated herein by reference.

Continued on the attached sheet.

Delayed notice of _____ days (give exact ending date if more than 30 days: _____) is requested under 18 U.S.C. § 3103a, the basis of which is set forth on the attached sheet.


Applicant's signature

Andrew Weathers, Special Agent, FBI

Printed name and title

Sworn to before me and signed in my presence.

Date: 11-14-14



Judge's signature

City and state: Seattle, Washington

Brian A. Tsuchida, United States Magistrate Judge

Printed name and title

ATTACHMENT A

ATTACHMENT A
ITEM TO BE SEARCHED

A Rubbermaid plastic storage tub, dark blue in color, labeled, "games" with blue painter's tape that was given to the FBI by S.H.

ATTACHMENT B

ATTACHMENT B
ITEMS TO BE SEARCHED FOR AND SEIZED

Evidence and/or fruits of the commission of the crime of Wire Fraud in violation of Title 18, United States Code, Section 1343, including, without limitation, the following materials:

1. All documents concerning Bellwether Wealth Management, including all documents concerning any client of Bellwether Wealth Management;
2. Currency, precious metals, jewelry, and financial records that show proceeds from wire fraud, and the use and concealment of such proceeds, including United States currency, foreign currency and other monetary instruments, bank records, foreign accounts, safe deposit box records and keys, credit card records, bills, receipts, copies of personal and business tax returns and work papers, vehicle purchase and sale documents and similar items; and other records that show income and expenditures, net worth items including receipts for personal property, precious metals, negotiable instruments, bank drafts, cashier's checks, and similar items.

AFFIDAVIT OF ANDREW WEATHERS

2 STATE OF WASHINGTON)
3 COUNTY OF KING) ss

I, Andrew Weathers, being first duly sworn on oath, depose and say:

I. INTRODUCTION AND AGENT BACKGROUND

1. I am a Special Agent (SA) with the Federal Bureau of Investigation (FBI) and have been so employed since 1998.

2. I have been a SA for five years and currently assigned to work a variety of criminal matters including but not limited to drug and firearms offenses. I am a graduate of the FBI Academy in Quantico, Virginia, and I have received further specialized training in investigating child pornography and child exploitation crimes. I have investigated drug traffickers, street gangs, drug trafficking organizations, and other criminal organizations. I have participated in the execution of search warrants for firearms violations. I am familiar with street gangs, and drug trafficking organizations in general from my training and experience. Prior to becoming an FBI Special Agent I worked as an Arizona Post Certified Police Officer in Flagstaff, Arizona for five years, where I was assigned to patrol duties and later to the Northern Arizona Metro Narcotics Task Force where I wrote, obtained, and executed numerous search warrants for illegal narcotics, firearms and other contraband. I also investigated credit card fraud or identity theft cases. I received a Bachelor of Science degree in Biology from Northern Arizona University.

3. This affidavit is based upon my personal knowledge developed during this investigation, information reported to me by witnesses and other law enforcement officers during the course of their official duties, and review of records and other material. Because the purpose of this affidavit is to establish probable cause, not every

1 relevant fact known to me, or to other investigators, is included herein. Rather, only
 2 those facts necessary to establish probable cause will be discussed.

3 **II. APPLICABLE LAW**

4 4. Title 18, United States Code, Section 18 U.S.C. § 1343 provides that it is a
 5 crime for an individual having devised or intending to devise any scheme or artifice to
 6 defraud, or for obtaining money or property by means of false or fraudulent pretenses,
 7 representations, or promises, transmits or causes to be transmitted by means of wire,
 8 radio, or television communication in interstate or foreign commerce, any writings, signs,
 9 signals, pictures, or sounds for the purpose of executing such scheme or artifice.

10 **III. STATEMENT OF PROBABLE CAUSE**

11 **A. Procedural History**

12 5. On June 4, 2014, a federal Complaint was signed by United States
 13 Magistrate Judge Dean Brett in the U.S. District Court for the Western District of
 14 Washington alleging that Jeffrey M. Knutsen had committed the crime of Wire Fraud in
 15 violation of Title 18, United States Code, Section 1343. A copy of the Complaint is
 16 attached as Exhibit 1 and incorporated by reference herein.

17 6. In summary, the Complaint charged Jeffrey M. Knutsen with engaging in a
 18 scheme to defraud a number of investors during the period of October 2005 through at
 19 least April 2013 by misappropriating money from their accounts he purportedly managed
 20 as an unregistered investment advisor in the Bellingham area. The Complaint alleged
 21 that Jeffrey M. Knutsen falsely represented that his management fee would be between
 22 0.85% and 0.90% of assets under management. Contrary to his representations, he
 23 misappropriated tens of thousands of dollars from his clients' brokerage accounts by
 24 directing money to bank accounts he controlled.

25 7. As set forth more fully in the Complaint, Jeffrey M. Knutsen was aware of
 26 the investigation into his activities by at least December 6, 2012 when Bellingham Police
 27

1 Detective Tawsha Dykstra interviewed him at the Bellingham Police Department.

2 Complaint, ¶ 30.

3 8. On August 28, 2014, Jeffrey M. Knutsen pleaded guilty to an Information
4 charging him with one count of Wire Fraud in violation of in violation of Title 18, United
5 States Code, Section 1343 before United State Magistrate Judge Brian A. Tsuchida in the
6 U.S. District Court for the Western District of Washington.

7 9. In his plea agreement with the United States, Jeffrey M. Knutsen agreed to
8 the following facts:

9 a. From approximately 2004 through April 2013, Jeffrey M. Knutsen
10 owned and operated Bellwether Financial Services dba Bellwether Wealth Management
("Bellwether") in Bellingham, Washington.

11 b. From approximately 1996 to July 2005, Jeffrey M. Knutsen was a
12 registered representative with the Financial Industry Regulatory Authority (formerly
13 known as the National Association of Securities Dealers) ("FINRA"). During the later
14 years of this time period, Jeffrey M. Knutsen was associated with a registered
broker/dealer in Bellingham, Washington.

15 c. In July 2005, FINRA issued an Order barring Jeffrey M. Knutsen
16 from associating with any FINRA member firm in any capacity.

17 d. After the FINRA Order was entered, Jeffrey M. Knutsen did not
18 inform his clients about the FINRA Order. Instead, Jeffrey M. Knutsen directed and
19 induced certain of his clients to transfer their accounts from the registered broker/dealer
20 to online accounts at E*Trade and TD Ameritrade that Jeffrey M. Knutsen would manage
on the clients' behalf. Jeffrey M. Knutsen was not identified as a registered
21 representative on the clients' E*Trade or TD Ameritrade accounts. Jeffrey M. Knutsen
22 maintained and used the clients' account log-in name and password to access and direct
activity within the clients' E*Trade or TD Ameritrade accounts.

23 e. When convincing them to move their accounts from the registered
24 broker/dealer, Jeffrey M. Knutsen falsely told clients that the transfer would reduce their
25 management fees and that he would charge between .85% and 1% of their assets under
management per year as his management fee.

26 f. Contrary to his representations, in October 2005 and continuing until
27 at least April 2013, Jeffrey M. Knutsen misappropriated money from a number of his
28 clients' accounts by issuing electronically generated checks from clients' accounts

1 payable to himself, in amounts that far exceeded the negotiated management fee, without
 2 the clients' knowledge and consent. To perpetuate his fraudulent scheme, Jeffrey M.
 3 Knutsen made additional false representations to clients. For example, in late 2012,
 4 Jeffrey M. Knutsen induced clients to again transfer their accounts from TD Ameritrade
 5 to E*Trade after TD Ameritrade noticed suspicious activity and prohibited Jeffrey M.
 6 Knutsen from accessing client accounts.

7 g. To execute this fraudulent scheme, Jeffrey M. Knutsen caused
 8 E*Trade and TD Ameritrade to issue over 200 checks from his clients' accounts without
 9 their knowledge or consent in amounts greater than his represented management fee.
 10 Once he issued the electronic checks, Jeffrey M. Knutsen deposited the fraudulently
 11 obtained funds into bank accounts in the Western District of Washington that he
 12 controlled.

13 h. A number of Jeffrey M. Knutsen's victims were elderly, including
 14 M.D. and victims S.G. and C.G. Specifically, when the scheme was finally uncovered in
 15 early 2013, M.D. was 76 years old, S.G. was 78 years old, and C.G. was 80 years old.
 16 Between October 2005 and October 2012, Jeffrey M. Knutsen withdrew nearly \$92,000
 17 from the accounts belonging to victims S.G. and C.G.

18 i. Specifically, in furtherance of his scheme to defraud, on or about
 19 August 20, 2012, Jeffrey M. Knutsen caused T.D. Ameritrade to issue an electronic check
 20 in the amount of \$1,039 from victim M.D.'s TD Ameritrade account ending in -7917,
 21 which Jeffrey M. Knutsen deposited into a Bellwether checking account ending in -1010
 22 at People's Bank in Bellingham, Washington.

23 j. When a check is issued into a People's Bank account in Washington
 24 State, an electronic message and signal is transmitted from the branch location (all of
 25 which are in Washington State) to a data processing center in New Jersey. Additional
 26 messages are transmitted and signals are then transmitted back to the responsible branch
 27 location, to an electronic check file exchange service in Oklahoma and/or the Federal
 28 Reserve Bank in Georgia, as well as to the paying financial institution. TD Bank, which
 handles transactions of TD Ameritrade, is located in Maine. Thus, the electronic check
 drawn from MD's account that Jeffrey M. Knutsen deposited into his Washington State
 People's Bank account involved the use and transmission of interstate wires.

29 k. In total, Jeffrey M. Knutsen's fraudulent scheme caused losses to
 30 more than 10 clients in an amount between \$120,000 and \$400,000.

1 **B. Recently Developed Facts**

2 10. On September 4, 2014, just one week after he pleaded guilty, Jeffrey M.
 3 Knutsen sent a text message to a former girlfriend with the initials S.H. According to
 4 S.H., she had dated Jeffrey M. Knutsen for a few months, ending the relationship in
 5 November 2013. Jeffey M. Knutsen advised S.H. that his mess was behind him, which
 6 S.H. understood to be a reference to Jeffrey M. Knutsen's legal matters related to his
 7 arrest. Jeffrey M. Knutsen also advised S.H. that he thought there was a plastic tin in her
 8 garage containing some of his personal belongings he would like returned. S.H. was
 9 unaware any of Jeffrey M. Knutsen's belongings were in her garage, as she had not been
 10 in contact with Jeffrey M. Knutsen for many months subsequent to her ending their
 11 personal relationship.

12 11. According to S.H., Jeffrey M. Knutsen advised her that he had been racking
 13 his brain trying to think where he put his paperwork and hard drives, and realized he put
 14 them in S.H.'s garage. Jeffrey M. Knutsen gave S.H. very specific information about
 15 where the bin was located and what it looked like. He described the bin as purple in
 16 color, and located in the back corner of her garage under her workbench behind some
 17 other items. According to S.H., she does not know when Jeffrey M. Knutsen placed the
 18 bin in her garage.

19 12. S.H. said that she had previously discovered that Jeffrey M. Knutsen had
 20 accessed her house without her permission and took some tools he left there. When she
 21 asked how he gained access to the house, Jeffrey M. Knutsen told S.H. he had taken an
 22 extra key S.H. left out for workers when her house was being remodeled over the summer
 23 of 2013. S.H. was previously unaware he had the key, and demanded that Jeffrey M.
 24 Knutsen return it, which he did.

25 13. According to S.H., she did not want to have any further dealings with
 26 Jeffery M. Knutsen and, therefore, contacted law enforcement authorities to turn over the
 27 bin. S.H. told law enforcement that she did not open the bin prior to turning it over to

1 law enforcement. S.H. later advised Jeffrey M. Knutsen that she had turned it over to the
2 police, and he responded it contained personal documents and information he needed to
3 prepare taxes.

4 14. The bin law enforcement obtained from S.H. is a Rubbermaid plastic
5 storage tub, dark blue in color, labeled, "games" with blue painter's tape. Upon receiving
6 the tub from S.H., FBI Agents Julie Lombardi and Andrew Weathers opened the tub to
7 determine if there was anything dangerous inside, and observed at least two hard drives,
8 and a stack of documents several inches thick, which appeared to include financial
9 statements of Jeffrey M. Knutsen's clients and identified victims. At that time, Agent
10 Lombardi closed the bin.

11

12 **IV. CONCLUSION**

13 15. Based on the aforementioned facts, I believe that probable cause exists to
14 believe that Jeffrey M. Knutsen did knowingly and intentionally commit the offense of
15 wire fraud, in violation of Title 18, United States Code, Section 1343, and that fruits and
16 instrumentalities, as set forth in Attachment B, of that offense will be found in the dark
17 blue plastic storage tub labeled, "games," described in Attachment A, attached hereto
18 and incorporated by reference herein.

19

20

21

22

23

24

25

26

27

28


ANDREW WEATHERS
SPECIAL AGENT
Federal Bureau of Investigation

SUBSCRIBED and SWORN to before me this 14 day of November, 2014.


BRIAN A. TSUCHIDA
United States Magistrate Judge

1
2 FILED ENTERED
3 LODGED RECEIVED
4 JUN 04 2014
5 BY CLERK AT SEATTLE
6 WESTERN DISTRICT OF WASHINGTON
7 DEPUTY

8 UNITED STATES DISTRICT COURT
9 WESTERN DISTRICT OF WASHINGTON
10 AT SEATTLE

11 UNITED STATES OF AMERICA,

12 Plaintiff,

13 v.

14 JEFFREY M. KNUTSEN,

15 Defendant.

16 NO. MJ 14-228

17 **COMPLAINT**

18 18 U.S.C. § 1343
(Wire Fraud)

19 BEFORE the Honorable Dean Brett, United States Magistrate Judge, United States
20 Courthouse, Seattle, Washington.

21 **COUNT 1**
(Wire Fraud)

22 **I. INTRODUCTION**

23 1. From September 6, 2000 through at least April 2013, JEFFREY M.
24 KNUTSEN owned and operated Bellwether Financial Services dba Bellwether Wealth
25 Management (“Bellwether” or “BWM”), an unregistered investment adviser located in
26 Bellingham, Washington. As the owner and sole proprietor of Bellwether, JEFFREY M.
27 KNUTSEN held himself out as an investment adviser who actively managed client
28 accounts, including the purchase and sale of securities on the clients’ behalf.

1

2 2. Prior to creating BWM, JEFFREY M. KNUTSEN was a registered
3 representative and broker from 1996 through June 2004 associated with Linsco Private
4 Ledger Corp. ("LPL"), a broker/dealer registered with the Financial Industry Regulatory
5 Authority ("FINRA") (formerly known as the National Association of Securities
6 Dealers). On July 11, 2005, FINRA barred JEFFREY M. KNUTSEN from association
7 with any FINRA member in any capacity based upon a customer complaint involving the
8 misappropriation of client funds.

9 **A. THE SCHEME AND ARTIFICE TO DEFRAUD**

10 3. Beginning at a date uncertain, but no later than October 2005, and
11 continuing until at least April 2013, at Bellingham, within the Western District of
12 Washington, and elsewhere, the defendant JEFFREY M. KNUTSEN, knowingly devised
13 a scheme and artifice to defraud investors and to obtain money by means of materially
14 false and fraudulent pretenses, representations, and promises.

15 4. The essence of the scheme and artifice to defraud was that JEFFREY M.
16 KNUTSEN misappropriated funds from accounts he purportedly managed as an
17 unregistered investment adviser for clients in the Bellingham area. During his scheme to
18 defraud, JEFFREY M. KNUTSEN falsely represented to these clients that he would
19 charge a small fee to manage their accounts, generally between 0.85% and 0.90% of
20 assets under management per year. Contrary to his representations, defendant JEFFREY
21 M. KNUTSEN misappropriated tens of thousands of dollars of his clients' funds in
22 excess of his purported management fee without his clients' authorization or consent.
23 During the course of his scheme, JEFFREY M. KNUTSEN defrauded at least 15
24 individuals of over \$260,000.

25 5. It was part of the scheme and artifice to defraud that in late 2004,
26 JEFFREY M. KNUTSEN induced client MD to invest over \$160,000 at BWM for
27 JEFFREY M. KNUTSEN to manage. JEFFREY M. KNUTSEN represented to MD that
28 he would charge 0.90% per year of MD's assets under management to manage MD's
account. Since JEFFREY M. KNUTSEN was barred from association with any

1

2 registered broker/dealer, he directed MD to open an online account at TD Ameritrade that
3 JEFFREY M. KNUTSEN would manage on MD's behalf, but failed to inform MD that
4 he was barred from association with any registered broker/dealer.

5 6. It was further part of the scheme and artifice to defraud that in
6 approximately the third quarter of 2008, JEFFREY M. KNUTSEN began
7 misappropriating funds from MD's account. From approximately 2005 through the last
8 quarter of 2007, JEFFREY M. KNUTSEN charged MD the agreed upon 0.90%
9 management fee. During this period, MD paid JEFFREY M. KNUTSEN by writing
10 checks drawn against her Whatcom Educational Credit Union personal checking account.
11 In or about the summer of 2008, JEFFREY M. KNUTSEN convinced MD to permit him
12 to withdraw funds directly from her TD Ameritrade account in lieu of her writing checks
13 from her personal checking account each quarter.

14 7. From the third quarter of 2008 through October 2012, JEFFREY M.
15 KNUTSEN misappropriated approximately \$38,000 in excess of the management fee to
16 which he was entitled pursuant to his agreement with MD by causing electronic checks
17 which did not need a payor's signature to be drawn against MD's TD Ameritrade
18 account. MD did not know about or authorize these excessive payments.

19 **C. EXECUTION OF THE SCHEME AND ARTIFICE TO DEFRAUD**

20 8. On or about August 20, 2012, at Bellingham, within the Western District of
21 Washington and elsewhere, JEFFREY M. KNUTSEN, for the purpose of executing this
22 scheme and artifice to defraud investors and for obtaining money and property by false
23 and fraudulent pretenses, representations, and promises and attempting to do so, did
24 knowingly transmit and cause to be transmitted writings, signs, signals, and sounds by
25 means of wire, radio, and television communication in interstate commerce, namely an
26 electronic check from MD's TD Ameritrade individual account ending in 7917 to
27 Bellwether's checking account ending in 1010 at People's Bank in Washington State in
28 the amount of \$1,039.89.

All in violation of Title 18, United States Code, Section 1343.

Complaint/KNUTSEN - 3

UNITED STATES ATTORNEY
700 STEWART STREET, SUITE 5220
SEATTLE, WASHINGTON 98101
(206) 553-7970

1
2
3 I, Andrew P. Weathers, being first duly sworn on oath, depose and say:

4 1. I am a Special Agent ("SA") with the Federal Bureau of Investigation
5 ("FBI") assigned to the Seattle Division. I have been a Special Agent for five years and
6 currently assigned to work a variety of criminal matters including but not limited to drug
7 and firearms offenses. I am a graduate of the FBI Academy in Quantico, Virginia, and I
8 have received further specialized training in investigating child pornography and child
9 exploitation crimes. I have investigated drug traffickers, street gangs, drug trafficking
10 organizations, and other criminal organizations. I have participated in the execution of
11 search warrants for firearms violations. I am familiar with street gangs, and drug
12 trafficking organizations in general from my training and experience. Prior to becoming
13 an FBI Special Agent I worked as an Arizona Post Certified Police Officer in Flagstaff,
14 Arizona for five years, where I was assigned to patrol duties and later to the Northern
15 Arizona Metro Narcotics Task Force where I wrote, obtained, and executed numerous
16 search warrants for illegal narcotics, firearms and other contraband. I also investigated
17 credit card fraud or identity theft cases. I received a Bachelor of Science degree in
18 Biology from Northern Arizona University.

19 2. This affidavit is based upon my personal knowledge developed during this
20 investigation, information reported to me by witnesses and other law enforcement
21 officers during the course of their official duties, and review of records and other
22 material. Because the purpose of this affidavit is to establish probable cause, not every
23 relevant fact known to me, or to other investigators, is included herein. Rather, only
24 those facts necessary to establish probable cause will be discussed.

25 **SUMMARY OF INVESTIGATION**

26 3. I believe that the investigation leading to the filing of this affidavit has
27 established probable cause to believe that JEFFREY M KNUTSEN has engaged in wire
28 fraud by embezzling large amounts of money from numerous clients, predominantly
elderly individuals, and by concealing his theft through materially false statements and

1

2 omissions. JEFFREY M. KNUTSEN diverted the money belonging to his customers for
3 his own benefit and provided victim investors with false and misleading information to
4 lull the victims into believing that their money was secure and being properly managed in
5 their best interests.

6 **A. Background**

7 4. From in or about late 2004 through at least April 2013, JEFFREY M.
8 KNUTSEN held himself out as a professional financial planner who owned and operated
9 a company, Bellwether Financial Services doing business as Bellwether Wealth
10 Management (collectively, "Bellwether" or "BWM"), based out of Bellingham,
11 Washington. Based upon this investigation, I believe that, over the course of several
12 years, JEFFREY M. KNUTSEN has embezzled a substantial amount of money from his
13 customers, predominantly elderly individuals, by causing unauthorized fund transfers
14 from customer accounts at online broker/dealers such as TD Ameritrade and E*Trade to
15 BWM bank accounts controlled by JEFFREY M. KNUTSEN. To date, the investigation
16 has identified over 15 victims with losses of over \$260,000.

17 5. During the time period of the scheme to defraud, JEFFREY M. KNUTSEN
18 and BWM controlled bank accounts at People's Bank, including an account ending in
19 1010, and, later, at Whatcom Educational Credit Union ("WECU"), including a checking
20 account and savings account both ending in 6077. JEFFREY M. KNUTSEN deposited
21 the funds he misappropriated from client accounts into one of these bank accounts.

22 6. From in or about 1996 through on or about July 11, 2005, JEFFREY M.
23 KNUTSEN was a registered broker with the Financial Industry Regulatory Authority
24 (formerly known as the National Association of Securities Dealers) ("FINRA"), and
25 during the later years of this time period, was a registered representative for Linsco
26 Private Ledger Corp. ("LPL"), a registered/broker dealer. In July 2005, FINRA barred
27 JEFFREY M. KNUTSEN from associating with any registered broker/dealer after an
28 elderly customer accused JEFFREY M. KNUTSEN of misappropriating approximately
\$90,000 from her account at LPL.

1

2 7. JEFFREY M. KNUTSEN did not tell his other clients of the allegations by
3 his client, FINRA's investigation, or FINRA's order barring him from associating with
4 any registered broker/dealer. Instead, JEFFREY M. KNUTSEN began acting as an
5 unlicensed broker by crafting and executing a scheme to circumvent the FINRA sanction
6 by directing certain of his LPL clients to transfer their accounts from LPL to accounts at
7 online broker/dealers such as E*Trade and TD Ameritrade that he would manage. As the
8 investigation uncovered, JEFFREY M. KNUTSEN embezzled additional funds from
9 these client accounts, as described below.

10 **B. The Fraudulent Conduct**

11 8. About the time the FINRA matter was pending, JEFFREY M. KNUTSEN
12 persuaded certain of his existing clients to move their accounts from LPL, with whom
13 JEFFREY M. KNUTSEN was then registered, to online broker/dealers, namely, TD
14 Ameritrade and E*Trade. Numerous clients transferred their accounts upon JEFFREY
15 M. KNUTSEN's materially false and misleading information representations concerning
16 the reason to transfer their accounts, and his material omissions concerning the FINRA
17 investigation or sanction.

18 9. JEFFREY M. KNUTSEN opened the online brokerage accounts on behalf
19 of his clients. In doing so, JEFFREY M. KNUTSEN, unbeknownst to customers, created
20 alternative email addresses at his "bellwetherwm.com" domain, which he used to register
21 the customer accounts. While he opened the accounts in his clients' names, JEFFREY
22 M. KNUTSEN maintained the account user names and passwords and retained full
23 access and control over the customer accounts, including check-writing privileges.
24 JEFFREY M. KNUTSEN, however, was not identified as a registered representative on
25 the TD Ameritrade or E*Trade accounts. In fact, his name appeared nowhere on the
26 clients' account profiles. Nonetheless, JEFFREY M. KNUTSEN logged onto TD
27 Ameritrade and E*Trade as the account holders (i.e., in their names) purportedly to
28 manage the customer accounts.

1

2 10. Using his unfettered access to client accounts, JEFFREY M. KNUTSEN
3 misappropriated hundreds of thousands of dollars from his clients by executing hundreds
4 of unauthorized transfers of client funds to BWM. The amounts were well in excess of
5 the management fee JEFFREY M. KNUTSEN negotiated with his clients, typically
6 between 0.85% and 1% of the assets under management per year.

7 11. In late 2012, one of JEFFREY M. KNUTSEN's clients contacted TD
8 Ameritrade concerning the unexpected decline in their account balance. After a
9 preliminary investigation, TD Ameritrade identified other accounts at TD Ameritrade that
10 appeared to be controlled by JEFFREY M. KNUTSEN. TD Ameritrade began contacting
11 these clients to inform them that TD Ameritrade intended to ban JEFFREY M.
12 KNUTSEN from accessing their accounts. Undeterred, JEFFREY M. KNUTSEN then
13 directed certain of these clients to move their investment accounts to E*Trade. In order
14 to conceal his fraudulent conduct, JEFFREY M. KNUTSEN provided materially false
15 information regarding his recommendation that his clients move their accounts to
16 E*Trade. For example, in response to an inquiry from a concerned customer about the
17 notice from TD Ameritrade, JEFFREY M. KNUTSEN wrote from his
18 "jeff@bellwetherwm.com" email address:

19 This is only with Ameritrade. They are trying to force me to join their company
20 and pay their fees... I am out of town today.. Let her know we will be moving
21 her account to E*Trade and that will solve the problem.

22 Through this investigation, I know that JEFFREY M. KNUTSEN's representation
23 regarding TD Ameritrade is false. Having interviewed numerous witnesses and victims
24 as part of this investigation, I believe JEFFREY KNUTSEN, through such materially
25 false and fraudulent representations, convinced certain clients to transfer their TD
26 Ameritrade accounts to E*Trade in order to continue his scheme and to conceal his theft
27 of funds.

28 12. As discussed more fully below, JEFFREY M. KNUTSEN continued to
embezzle client funds even after he was confronted by local law enforcement and after

1

2 several clients terminated their relationship with JEFFREY M. KNUTSEN based upon
3 their concerns over his handling of their accounts.

4 **B. Victims CG and SG**

5 13. In November 2012, an elderly couple, CG and SG, now ages 80 and 77,
6 respectively, walked into the Bellingham Police station to report fraud in relation to their
7 investment accounts. The accounts were held at TD Ameritrade and purportedly
8 managed by JEFFREY M. KNUTSEN. The investigation was assigned to Detective
9 Tawsha Dykstra of the Bellingham Police Department. At the time they approached law
10 enforcement, CG and SG did not know that JEFFREY M. KNUTSEN had been barred
11 from association with any registered broker/dealer as a result of allegations that he stole
12 from another customer's account.

13 14. Prior to approaching law enforcement, CG and SG discovered that their TD
14 Ameritrade account value was drastically lower than it should have been when they
15 reviewed their investment accounts with the assistance of another financial advisor. This
16 review of their TD Ameritrade account statements revealed numerous transfers of funds
17 to BWM. Most of these transfers were done by electronically generated checks, which
18 neither CG nor SG executed or authorized. From August 2007, when their account
19 balances totaled about \$254,100.00, to November 2012, JEFFREY M. KNUTSEN had
20 withdrawn a total of about \$76,245.77 from CG and SG's accounts.

21 15. As a result of their concerns, CG, SG, and the other financial advisor
22 contacted JEFFREY M. KNUTSEN and questioned him about the withdrawals from their
23 account. JEFFREY M. KNUTSEN told CG and SG that the withdrawals were for
24 management fees. Documentation obtained through the investigation, however,
25 confirmed that CG and SG's management fee was supposed to be 0.85% of assets under
26 management per year, paid on a quarterly basis. I am also aware that 0.85% falls within
27 the standard range for asset management fees in the industry. As set more fully below, an
28 analysis of CG and SG's account revealed that JEFFREY M. KNUTSEN made a number

1

2 of unauthorized withdrawals from their accounts well in excess of the agreed upon
3 management fee.

4 16. During the investigation, I learned that CG and SG initially maintained
5 their accounts at LPL under the control of another broker. When that broker retired (in
6 the late 1990s or early 2000s), their LPL accounts were transferred to JEFFREY M.
7 KNUTSEN. According to CG and SG, JEFFREY M. KNUTSEN then moved CG and
8 SG's accounts from LPL to TD Ameritrade. JEFFREY M. KNUTSEN set up the TD
9 Ameritrade accounts in their names but maintained access, ostensibly to manage their
10 investments. For example, account information was sent to "cs[victim last name -
11 redacted]@bellwetherwm.com," an email account set up by JEFFREY M. KNUTSEN at
12 the "bellwetherwm.com" domain, which he controlled and operated. Another e-mail
13 noted on the account documentation from TD Ameritrade is JKnutsen@USWest.net.
14 Notably, since JEFFREY M. KNUTSEN transferred their accounts to TD Ameritrade, he
15 did not conduct any trades or other investments in CG and SG's accounts. In short, the
16 assets simply sat in the account.

17 17. As part of the ensuing investigation, TD Ameritrade provided law
18 enforcement with copies of several checks issued out of CG and SG's accounts and
19 further confirmed that additional checks had been drawn dating back to October 2005.
20 The vast majority of checks were electronic checks that can be authorized through the
21 online account and do not require a payor's signature.

22 18. During the investigation, law enforcement obtained and reviewed numerous
23 records, such as account statements, opening documents, and checks, for various
24 investment accounts held at TD Ameritrade and E*Trade, belonging to numerous clients
25 of JEFFREY M. KNUTSEN, including SG and CG. An FBI forensic accountant
26 analyzed these statements and JEFFREY M. KNUTSEN's bank account records from
27 People's Bank and WECU.

28

1

2 19. The analysis of CG and SG's account revealed that JEFFREY M.
3 KNUTSEN misappropriated nearly \$80,000 from their account from October 2005
4 through October 2012.

5 20. In October 2005, the total value of CG and SG's TD Ameritrade accounts
6 was approximately \$219,000. Between the period of October 1, 2005 and December 31,
7 2012, JEFFREY M. KNUTSEN caused a total of 109 checks totaling \$92,337.26 to be
8 drawn from CG and SG's accounts and deposited into the checking account JEFFREY
9 KNUTSEN controlled at People's Bank ending in 1010. Three checks were handwritten
10 and related to tax preparation fees. The remaining 106 checks, totaling \$91,782.26, were
11 issued electronically from the TD Ameritrade accounts and did not require the payor's
12 signature. Based upon an 0.85% annual management fee, which is the rate indicated on
13 an invoice provided to law enforcement, the total fee amount for this entire period should
14 have been about \$12,509.26. The chart below provides a summary:

		KNUTSEN	
2005 ¹	\$475.51	\$1,765.43	(\$1,289.92)
2006	\$1,993.09	\$12,249.40	(\$10,256.31)
2007	\$2,150.73	\$5,259.80	(\$3,109.07)
2008	\$1,857.63	\$7,669.60	(\$5,811.97)
2009	\$1,536.07	\$8,071.88	(\$6,535.81)
2010	\$1,672.37	\$21,491.97	(\$19,819.60)
2011	\$1,592.52	\$20,836.84	(\$19,244.32)
2012 ²	\$1,231.34	\$14,437.34	(\$13,206.00)
Total	\$12,509.26	\$91,782.26	(\$79,273.00)

24

25 **C. VICTIM MD**

26 21. During its internal investigation, TD Ameritrade also advised that
27 JEFFREY M. KNUTSEN was associated with a number of other account holders,

28 ¹ For period from October through December only

² For period from January through October only

Complaint/KNUTSEN - 10

1

2 including MD, an elderly woman in the Bellingham area, who had similar withdrawal
3 activity in her accounts. Other than an initial purchase of stocks in 2004, there had been
4 no trading and investment activity in any of MD's accounts. There were, however,
5 several sales of securities in order to cover numerous cash withdrawals from the account,
6 made on margin.

7 22. Detective Dykstra thereafter interviewed MD. Among other things, MD
8 recalled that JEFFREY M. KNUTSEN induced MD and her (now-late) spouse to invest
9 about \$160,000 at BWM following the retirement of their prior financial advisor. Later,
10 JEFFREY M. KNUTSEN explained to MD that he was moving her accounts to TD
11 Ameritrade, and explained that it was because LPL was charging a high fee. At no time
12 did JEFFREY M. KNUTSEN inform MD that he was barred from association with any
13 registered broker/dealer. According to MD and to the material reviewed by investigators,
14 JEFFREY M. KNUTSEN represented to MD that he would charge 0.90% per year of
15 MD's assets under management to manage MD's account.

16 23. MD also recalled having a conversation with JEFFREY M. KNUTSEN in
17 approximately January 2008, after her husband passed away, about how MD could no
18 longer afford his fees. JEFFREY M. KNUTSEN told her he was cheaper than anyone
19 else and gave her a form, which she provided to law enforcement. The form stated a
20 direct payment from the investment account could be established to eliminate MD's need
21 to use her personal funds. It stated there was no cost to setup or use this service.

22 24. MD said that she has not had much interaction with JEFFREY M.
23 KNUTSEN over the past several years. In late 2012, she attempted to contact JEFFREY
24 M. KNUTSEN regarding accessing money in her investment account for expenses, but he
25 did not return her calls or emails. A few months later, after TD Ameritrade had contacted
26 her regarding suspicious activity in her account, MD noticed a sizeable reduction in her
27 account value. At that point, MD realized that a considerable amount of money had been
28 removed from her account.

1

2 25. Detective Dykstra reviewed copies of checks issued from MD's TD
3 Ameritrade accounts. From the period of July 21, 2008 to October 15, 2012, Detective
4 Dykstra counted a total of 74 checks payable to BWM, totaling over \$42,000, which
5 substantially exceeded the negotiated management fee. In October 2005, the total value
6 of MD's TD Ameritrade accounts was about \$157,000. Between the period of October 1,
7 2005 and October 31, 2012, a total of 84 checks were drawn from MD's accounts and
8 deposited into JEFFREY M. KNUTSEN's bank account at People's Bank, for a total
9 amount of \$47,495.28. Nine checks, all before December 2007, were handwritten. The
10 remaining 75 checks were issued electronically from the TD Ameritrade accounts and did
11 not require the payor's signature. Based upon an 0.9% annual management fee, which is
12 the rate MD paid in 2005, 2006, and 2007, when she paid by handwritten check, the total
13 fee amount for this entire period would have been about \$9,363.54. Based on the assets
14 under management, the estimated fees would have ranged from between about \$1,200 to
15 1,500 per year. From 2008 onward, JEFFREY M. KNUTSEN withdrew significantly
16 more, including over \$8,800 in 2010 and approximately \$12,400 and \$14,350 in 2011
17 and 2012, respectively.

18 26. In conducting one of the fraudulent transfers, JEFFREY M. KNUTSEN
19 caused an electronic check in the amount of \$1,039.89 to be drawn from MD's TD
20 Ameritrade account ending in 7917 and deposited in Bellwether's People's Bank
21 checking account ending in 1010 in Washington State.

22 27. Based on this investigation, I know that JEFFREY M. KNUTSEN's caused
23 interstate wires and communications to be committed in furtherance of his fraudulent
24 scheme. For example, according to People's Bank, whenever a check is deposited into a
25 People's Bank account, an electronic message and signal is transmitted from the
26 responsible branch location (all of which are in Washington State) to a data processing
27 center located in New Jersey. Additional messages and signals are then transmitted back
28 to the responsible branch location, to an electronic check file exchange service in
Oklahoma and/or the Federal Reserve Bank in Georgia, as well as to the paying financial

1

2 institution. TD Bank, which handles transactions of TD Ameritrade, is located in Maine.
3 Thus, the electronic check drawn from MD's account that JEFFREY M. KNUTSEN
4 deposited into his Washington State People's Bank account involved the use of interstate
5 wires.

6 **D. Other Victims**

7 28. In addition to CG and SG and MD, I have identified more than a dozen
8 other victims of JEFFREY M. KNUTSEN's scheme. Law enforcement has interviewed a
9 number of these victims. For those interviewed, they told law enforcement that
10 JEFFREY M. KNUTSEN agreed to charge them between 0.85% and 1.02% of their
11 assets under management per year. Like for victims CG and SG and MD, the FBI
12 forensic accountant reviewed these victims' brokerage account statements and the bank
13 accounts controlled by JEFFREY M. KNUTSEN to determine if he misappropriated
14 funds from their accounts. That analysis revealed a similar pattern for these victim
15 accounts.

16 29. Based upon the review of all the victim accounts, including CG and SG and
17 MD, there is probable cause to believe that JEFFREY M. KNUTSEN stole in excess of
18 \$260,000 from the approximately 15 to 17 victims.

19 **E. Interview of JEFFREY M. KNUTSEN**

20 30. In late 2012, Detective Dykstra contacted JEFFREY M. KNUTSEN by
21 telephone regarding the complaint filed by CG and SG. On December 6, 2012,
22 KNUTSEN voluntarily came to the Bellingham Police Department and met with
23 Detective Dykstra and Detective Ferguson. JEFFREY M. KNUTSEN was informed at
24 the outset that he was there voluntarily and was free to leave at any time. JEFFREY M.
25 KNUTSEN also consented to having the interview video and audio recorded. Among
26 other things, JEFFREY M. KNUTSEN provided the following background information:

27 a. He is a financial planner, and also provides tax preparation and
28 accounting services. For his business, he uses the names Bellwether Financial,
Bellwether Wealth Management and other similar names.

1

2 b. He primarily works out of his home. He does have an executive
3 office on E Maple Street, in Bellingham, which he used for his mail delivery and
4 answering service. He can conduct meetings there in one of the executive meeting
5 rooms, if needed.

6 c. He bought an investment practice, which included about 40 clients,
7 from his former employer in late 1999 or early 2000.

8 d. He is not licensed to trade for people. He logs onto TD Ameritrade
9 under the clients' names and manages the accounts.

10 e. He charges a management fee based upon the percentage of assets
11 under management. Some clients receive an invoice and pay him by writing a check out
12 of their personal accounts. Other clients (about five or six, in his estimation) authorized
13 him to automatically withdraw funds from their accounts.

14 f. When asked about his broker license, JEFFREY M. KNUTSEN first
15 told the detectives that he let his license expire and that, because he does not work on
16 commission, he does not need to be licensed. When Detective Dykstra later confronted
17 him with the FINRA sanction, JEFFREY M. KNUTSEN changed his story. He said that
18 the license was suspended due to a misunderstanding and that he could have challenged
19 the suspension and gotten his license back, but did not think it was worth it. JEFFREY
20 M. KNUTSEN claimed he simply had been borrowing money out of a client's account.

21 31. When asked about CG and SG, JEFFREY M. KNUTSEN denied any
22 mishandling of their accounts and stated the following, among other things:

23 a. He managed CG and SG's accounts, which he took over from their
24 prior broker and later moved to TD Ameritrade in about 2004. He was authorized to
25 withdraw his management fee from their accounts. He initially sent invoices but that CG
26 told him he no longer had to send them. He predominantly communicates with them
27 verbally because CG and SG do not have a computer or email.

28 b. He has no contract with CG or SG stating the management fee. Nor
did he have a contract authorizing automatic withdrawals.

1

2 c. He charges CG and SG a management fee of 3% or so, possibly as
3 high as 3.2% per year (he later would say it was 3.4%), on a monthly basis. (I know
4 based upon the interviews with CG and SG and review of documentation that the
5 agreement was for KNUTSEN to charge a 0.85% annual management fee. CG and SG
6 also denied ever discussing a management fee of 3% or more.)

7 d. About three to four years ago, he realized that he had been
8 undercharging CG and SG and therefore began withdrawing significantly more money to
9 make up the purported difference. He claimed to have informed CG and SG verbally. (I
10 know based on the interviews that CG and SG deny ever being told of any alleged
11 underpayment of fees or of additional withdrawals to account for any alleged
12 underpayment.)

13 e. Some of his withdrawals from CG and SG's accounts were on
14 margin because there was no available cash remaining in the accounts. KNUTSEN
15 explained that interest is charged on the margin amount and, at some point, an investment
16 would have to be sold to generate cash to pay back the margin deficit.

17 f. When confronted with an invoice statement that showed the
18 management fee was 0.85% per year, charged quarterly, KNUTSEN said that this
19 document was a mistake. When pressed by detectives about how what he was saying in
20 the interview did not conform to the documentation, KNUTSEN said, "I made a mistake
21 and that is all I got to say."

22 g. When asked why his purported management fee seemed extremely
23 high, KNUTSEN then claimed that he did much more for CG and SG than just manage
24 their TD Ameritrade accounts. When asked to explain, he stated that he also assisted CG
25 and SG with estate planning, outside investments, such as CD rates, and advising their
26 son and a friend on housing purchases. (I know based on the interviews that CG and SG
27 deny that JEFFREY M. KNUTSEN provided any substantial assistance in these other
28 matters. Rather, he merely managed their TD Ameritrade accounts and assisted with
filing taxes.)

1

2 h. JEFFREY M. KNUTSEN also stated that he does CG and SG's
3 taxes, and charges them a rate of \$95 for this service. (Actual payments for tax
4 preparations are \$215.00, \$220.00 and \$120.00 for 2009, 2011 and 2012 respectively.)
5 He confirmed that investment management fees are deductible itemizations for tax
6 purposes. When pressed, he admitted that he did not itemize the amount of money he
7 withdrew from CG and SG's account in 2010 and 2011 (i.e., about \$21,000 each year) on
8 their 2010 and 2011 tax return. He stated that, were these amounts management fees, it
9 would have been in CG and SG's financial best interest to itemize them as a deduction.

10 32. When told that another customer, MD, had also contacted Detective
11 Dykstra about suspected theft, JEFFREY M. KNUTSEN denied any mishandling of her
12 accounts and stated that it was the same type of situation as with CG and SG. Regarding
13 MD, he stated following, among other things:

14 a. Based on a discussion with MD, he set up an automatic payment of
15 his management fees through withdrawals from her investment accounts.

16 b. He was charging MD a similar rate to CG and SG. Any additional
17 withdrawals were because he had discovered he had been undercharging MD, just like
18 CG and SG.

19 c. There was no written contract with MD regarding his fees, nor was
20 there a written contract authorizing automated withdrawals. He claimed to have a voided
21 check from MD and other paperwork showing the fee arrangement.

22 d. He also did other work for MD that he billed on an hourly basis.

23 33. The interview ended when JEFFREY M. KNUTSEN said he had another
24 appointment. Detective Dykstra asked JEFFREY M. KNUTSEN for any paperwork he
25 might have for CG and SG, such as any documentation indicating a management fee of
26 3.4% or so and a copy of any voided checks. JEFFREY M. KNUTSEN said he would
27 drop off documents at a later time. To date, JEFFREY M. KNUTSEN has not provided
28 law enforcement with any records or paperwork, nor has he attempted to contact
Detective Dykstra or any other Bellingham police officer to follow up.

1

2 34. Investigators have interviewed CG and SG as well as MD thereafter, and
3 they deny the majority of the representations of JEFFREY M. KNUTSEN regarding their
4 respective accounts. For instance, among other things, they all denied agreeing to, or
5 ever even discussing, a management fee of 3% or more per year or additional
6 withdrawals for alleged underpayments of fees.

7 **F. Additional Investigation**

8 35. As part of the investigation, investigators obtained and reviewed a client list
9 of Bellwether and JEFFREY M. KNUTSEN, which sets forth, among other things, the
10 management fees for each client. According to the document, the highest fee JEFFREY
11 M. KNUTSEN was authorized to charge any client was 0.90%. CG and SG were
12 supposed to be charged a 0.85% fee, as was MD.

13 36. As part of the investigation, investigators interviewed several other
14 witnesses, including a female associate of JEFFREY M. KNUTSEN ("CS"). CS
15 explained that she first met JEFFREY M. KNUTSEN on an online dating site in February
16 2012. CS and JEFFREY M. KNUTSEN were engaged to be married in November 2012,
17 until CS called off the engagement in May 2013. CS explained that she was not familiar
18 with all of JEFFREY M. KNUTSEN's business practices, but became aware there were
19 theft allegations in about November 2012 after JEFFREY M. KNUTSEN was contacted
20 by the Bellingham Police Department. According to CS, at JEFFREY M. KNUTSEN's
21 request, CS assisted JEFFREY M. KNUTSEN with drafting a generic contract that
22 JEFFREY M. KNUTSEN could use for his business. CS stated that, based on their
23 conversations, she believed that JEFFREY M. KNUTSEN intended to backdate contracts
24 and forge signatures for existing or former clients.

25

26

27

28

1

CONCLUSION

37. Based on the above facts, I respectfully submit that there is probable cause
3 to believe that JEFFREY M. KNUTSEN did knowingly and intentionally commit the
4 offense of wire fraud, in violation of Title 18, United States Code, Section 1343.

6
7
8 Andrew P. Weathers, Complainant
9 Special Agent, Federal Bureau of Investigation

10
11 Based on the Complaint and Affidavit sworn to before me, and subscribed in my
12 presence, the Court hereby finds that there is probable cause to believe the Defendant
13 JEFFREY M. KNUTSEN committed the offense set forth in the Complaint.

14 Dated this 4 day of June, 2014.

15
16
17 HON. DEAN BRETT
18 United States Magistrate Judge
19
20
21
22
23
24
25
26
27
28